
EMBARGO :

NOT FOR PUBLICATION BEFORE 1300 HOURS GMT WEDNESDAY 25 SEPTEMBER 1991

GATT/1519
16 September 1991

GATT TRADE POLICY REVIEW

NORWAY

"A marked difference exists between Norway's trade policies in the fields of agriculture and industry," according to the GATT Secretariat's report on Norway's trade policies and practices. "While trade measures on industrial products are generally low and transparent, a complex network of border measures and domestic supports has encouraged a high level of self-sufficiency in agriculture. The objectives underlying such measures include national security, social, regional and ecological aims, and a restrictive import system is seen as a decisive condition for the attainment of these objectives. The costs to the Government in budgetary terms, and to Norwegian consumers in terms of high prices, are recognized as considerable."

Although the most imminent task confronting Norwegian trade negotiators is to conclude an agreement on the European Economic Area, Norway does not see the EEA negotiations as a substitute for the GATT process of world trade reform. Norway is particularly interested in a comprehensive package in the rules area, particularly subsidies, anti-dumping and safeguards.

The GATT Secretariat's report, together with a report prepared by the Norwegian Government, will be discussed by the GATT Council on 24-25 September 1991. The comprehensive examination of Norway's trade policies is conducted under the trade policy review mechanism (TPRM) which was launched in December 1989 to enable a regular collective evaluation by the GATT Council of the full range of trade policies of individual GATT members.

The reports cover all aspects of Norway's trade policies, including domestic laws and regulations; the institutional framework; bilateral, regional and other preferential agreements; and the wider economic and development needs.

Attached are summary extracts from the reports. Full reports are available for journalists from the GATT Secretariat on request.

The complete trade policy review of Norway, including these two reports together with a record of the Council's discussions and of the Chairman's summing-up, will be available in due course from the GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.

Since December 1989, reviews of the following countries have been completed: Australia, Canada, Chile, Colombia, the European Communities, Hong Kong, Hungary, Indonesia, Japan, Morocco, New Zealand, Sweden, Thailand and the United States.

TRADE POLICY REVIEW

NORWAY

Report by the GATT Secretariat - Summary Observations

Norway in World Trade

Norway is a small economy, with a share of under 1 per cent in world merchandise trade. Its merchandise trade to GDP ratio is 27½ per cent. In addition, Norway has substantial trade in certain services, in particular shipping. Most manufacturing sectors are open to international trade; however, agriculture, most services and certain manufacturing activities are not directly exposed to foreign competition. According to Norwegian statistics, export-oriented and import-competing industries together account for 19 per cent of gross output and 11 per cent of GDP.

Crude petroleum, by value 80 per cent oil and 20 per cent natural gas, accounts for more than 40 per cent of Norway's merchandise exports. In addition, Norway exported petroleum products worth nearly NOK 10 billion (4.7 per cent of exports) in 1990. Metals - aluminium, ferro-alloys, zinc, nickel and iron and steel - form the largest product group of non-fuel exports. Other natural resource based products such as chemicals, pulp and paper and fish are also major export items. Ships feature prominently in merchandise exports and imports because of the large Norwegian merchant fleet.

Norway's exports are generally characterized by a lower degree of processing than imports. The major product group in imports is transport equipment, including ships, aircraft, passenger motor vehicles and lorries. Durable consumer goods, textiles, clothing and footwear and pharmaceuticals are other major imports. Norway is, overall, a net importer of agricultural products, particularly grains, sugar and tropical products; however, imports of locally produced crops and other farm products are very low.

Norwegian sales of crude oil are limited to the North Atlantic Basin because of the transportation costs. Natural gas is sold on long-term contracts to countries in the EC. Norwegian non-fuel trade is also concentrated towards the OECD area, in particular countries in Northern and Western Europe. The EC is Norway's major trading partner, accounting for nearly 50 per cent of imports and more than 55 per cent of non-fuel exports. Trade with the Nordic EFTA partners represents almost 20 per cent of non-oil exports and imports. Excluding ships, trade with developing countries accounts for just over 8 per cent of Norway's merchandise imports and around 7 per cent of exports. Norway has generally not traded extensively with countries in Eastern and Central Europe.

Norway has gone through a period of painful economic adjustment since oil prices declined in 1986. Monetary and fiscal policies have been tightened.

MORE

Gross fixed investment in mainland Norway declined by one quarter between 1987 and 1990, the greatest peacetime fall since the 1930s. The effects of the domestic recession have been evident in the labour, financial and real estate markets. An unemployment rate of 5 per cent (8 per cent if people on labour market schemes are included) may not be high by OECD standards, but represents a postwar peak for the Norwegian economy. Inflation, a recurring problem since the mid-1970s, has fallen to an annual rate of below 4 per cent, lower than in most of Norway's trading partners. Surpluses have been restored in the merchandise trade balance and current account. However, much of the improvement is due to higher export volumes of crude oil.

Two main objectives of current economic policy are to increase employment and reduce Norway's dependence on petroleum revenue. The net Government cash flow from petroleum has been transferred into a new State Petroleum Fund since the beginning of 1991. The Fund is not expected to reduce Norway's dependence on oil in the short term, but may have a longer-term disciplining effect. As long as weakness persists in domestic demand, any increase in employment will have to come from Norway's exporting and import-competing sectors. Thus far, these sectors have showed few signs of expansion.

Institutional Framework

Under the 1814 Constitution, the Parliament (Storting) is ultimately responsible for Norway's trade policies. Decisions of major importance, including accession to international treaties and agreements with other countries, must be approved by the Parliament. New or amended legislation which has been approved by the Parliament is passed on to the Government for enactment. Legislation covering trade issues frequently give the administration, usually the relevant Ministry, wide discretion in issuing implementing regulations. All legislation is formally passed into law by the King.

Formal government decisions are taken by the full Cabinet (Statsråd), chaired by the King. Interministerial issues will already have been discussed informally and agreed among Ministers. Formulation and implementation of trade policies is the overall responsibility of the Minister of Trade and Shipping, who is in charge of the trade and shipping departments in the Ministry of Foreign Affairs. Questions of trade policy may also involve other parts of the Ministry of Foreign Affairs and other Ministries, mainly Finance, Agriculture, Fisheries and Industry.

The basic legislative measures underlying most current trade regulations are the provisional bans on imports and exports of 13 December 1946 and the provisional ban on imports of 22 June 1934 in the case of agricultural products. In practice, very few industrial products are now subject to licensing under these general prohibitions, while the list of agricultural products covered is clearly defined. These general bans are supplemented by legislation which regulates trade in specific products, including ships, fish, processed agricultural products, grains, pharmaceuticals, arms and ammunition and strategic goods, services and technology.

Export and import licensing of industrial goods is administered by the Ministry of Foreign Affairs. Trade regulations on agricultural products are the responsibility of the Ministry of Agriculture. The licensing system for many agricultural products is currently managed by the Norwegian Grain Corporation. Fish exports are licensed by the Ministry of Fisheries. The administration of import and export controls and the collection of duties and taxes are carried out by the Directorate of Customs and Excise, reporting to the Ministry of Finance. The Ministry of Finance is also responsible for conducting anti-dumping and countervailing duty investigations.

The private sector makes major formal and informal contributions to the formulation of trade policies. Non-governmental organizations are involved in the early stages of policy formulation and are later invited to comment on government positions and proposals. The private sector also participates in various advisory bodies, including the Advisory Committee for Tariffs and Trade (the GATT Committee) and the Advisory Committee for European matters.

Farmers' organizations have a strong influence on the level of assistance to agriculture. The level of financial support is established in biannual agreements, with annual adjustments, between the Government and two nationwide farmers' organizations. The settlement must be approved by the Parliament. The markets for the main agricultural products are supervised by the Norwegian Agricultural Marketing Board, which administers Product Funds for the purpose of regulating prices. Four national associations of farmers' co-operatives implement market regulations on milk and dairy products, meat, eggs and horticultural products. Import committees, dominated by producers and traders, administer the import licensing of meats, cheese and various horticultural products. The Agricultural Agreement gives a general description of the import practices to be followed during the period under the agreement. The Government is committed not to reduce the level of protection without consultations or negotiations with the two farmers' organizations.

Support to traditional fishing - unlike agriculture, an export-oriented sector - is determined in annual settlements between the Government and the Norwegian Fishermen's Association. All raw fish landed in Norway must be sold through fishermen's sales organizations or purchasers approved by these organizations.

Norway has no statutory body for public reviews of trade policies. However, the Price Directorate, the main institution in charge of enforcing competition policies, carries out autonomous assessments of the effects of public regulations, including trade restrictions, on competition and efficiency. New legislation which may affect competition must be submitted to the agency for comment. It may recommend changes, but is not empowered to make any amendments to laws and regulations.

Trade Policy Features and Trends

Norway is a founding member of the GATT. It has participated actively in all negotiating rounds, has accepted all protocols emerging from successive GATT negotiations and is a signatory to all the Tokyo Round Codes.

MORE

A marked difference exists between Norway's trade policies in the fields of agriculture and industry. While trade measures on industrial products are generally low and transparent, a complex network of border measures and domestic supports has encouraged a high level of self-sufficiency in agriculture. The objectives underlying such measures include national security, social, regional and ecological aims, and a restrictive import system is seen as a decisive condition for the attainment of these objectives. The costs to the Government in budgetary terms, and to Norwegian consumers in terms of high prices are recognized as being considerable.

Norway supports the m.f.n. principle. However, some two-thirds of Norway's imports receive preferential tariff treatment within the framework of EFTA and the free trade agreement with the EC. The agreements provide duty free access for most industrial products, and zero tariffs or tariff reductions on a number of agricultural products. EFTA countries liberalized their internal trade in fish and fish products on 1 July 1990.

Recent evolution

Access to the Norwegian market for industrial products is generally open and unrestricted, with the exception of some textiles and clothing items. Access for agricultural goods produced in Norway and for "sheltered" industries such as food and beverages is, by contrast, heavily restricted.

Many years of substantial oil revenues have allowed Norway to provide major support both to primary sectors and to manufacturing. Some of this support relates specifically to certain sectors such as shipbuilding, the financing of losses and restructuring in State-owned industries or subsidies to newspapers. Other schemes, related to regional development or research and development assistance, are typically not sector-specific.

The Tokyo Round resulted in an average reduction of 28 per cent in Norway's m.f.n. rates. Some minor tariff revisions occurred in the conversion to the Harmonized Commodity Description and Coding System (HS) on 1 January 1988. Norway reduced tariffs on 132 tariff lines (tropical products) on 15 July 1989 in response to the Mid-term Review decision in the Uruguay Round.

Type and incidence of trade policy instruments

Norway is a low-tariff country for most imports. Tariffs on manufactures are mostly ad valorem while the rates on agricultural goods are predominantly specific. In agriculture, however, tariffs are generally of minor importance and protection is afforded by quantitative restrictions and State-trading. Tariffs on industrial goods are generally low - the simple average m.f.n. rate for industrial goods is 5.7 per cent. Most imports enter duty free under preferential arrangements. These arrangements cause a certain level of discrimination in cases where m.f.n. tariffs are high, for example on textiles and clothing, motorcycles, radio and television receivers, organic surface-active agents and plastics.

Seasonal tariffs, at specific rates, are applied on imports of some fruits and vegetables. Imports of meats, eggs, potatoes and concentrated feeds are subject to a price equalization levy to bring the price of imported products up to the domestic level. A duty is collected on processed agricultural products subject to free trade within the EC/EFTA area. The purpose of the duty is to eliminate the disadvantage incurred by Norwegian food processing industries in using more expensive domestic agricultural raw materials.

Norway has bound more than 92 per cent of the tariff lines in its customs tariff. The incidence of bindings is lower for agricultural products (69 per cent) than for industrial goods (97 per cent). Little scope exists for raising tariffs, as most tariffs are bound at currently applied rates. However, the use of specific tariffs, particularly in agriculture, offers increasing protection as import prices fall, even where these specific tariffs are bound.

Norway uses a number of product-specific excise taxes to implement environmental, social and other policies. The measures are an important source of government revenue. Taxes do not discriminate between imported and domestically produced goods; however, lack of domestic production of some products - such as motor vehicles, wine, sugar and tobacco - leads to the duties being levied exclusively or predominantly on imported goods.

Trade in goods and services with South Africa is generally prohibited. Trade relations with Iraq are currently suspended. Product specific import prohibitions mainly concern certain live animals, plants and animal and plant products which may carry dangerous pests and diseases which do not exist in Norway. Imports of coniferous timber, wood and chips from Canada, China, Japan and the United States are prohibited while research is undertaken to evaluate the risk of nematode infestation to forests in the Nordic countries.

Import licensing, administered by the Ministry of Foreign Affairs, covers ships, textiles and clothing, whalemeat and extracts thereof and oil of marine mammals. Country-specific licensing applies to cleaning cloths and dusters from some countries and to some products (mainly footwear) from Taiwan.

Most agricultural imports are subject to licensing by the Ministry of Agriculture. Licences are issued by the Norwegian Grain Corporation. Licensing practices vary in restrictiveness. Most restricted are imports of live animals and fodder components. The regulations provide for suspension of import licences of meat, eggs and various horticultural products if domestic prices exceed established limits. In practice, however, a certain volume of imports is permitted to enter to prevent such a situation from occurring.

Import licences are suspended for certain vegetables, fruits, berries and plants during parts of the year. The unrestricted periods correspond to arrangements established under the free trade agreement between Norway and the EC. These arrangements also establish minimum bilateral import quotas for cut flowers and some plants. In addition, Norway has bilateral import quotas for cheese and sheepmeat. Other import quotas, on meat, are applied on a global basis.

Three State monopolies carry out trade in pharmaceuticals (the Norwegian Medicinal Depot), grains (the Norwegian Grain Corporation) and wine and spirits (the Wine Monopoly).

Norway generally applies a "no risk" policy in order to preserve very high phytosanitary and zoosanitary standards. Livestock imports are permitted only on a case-by-case basis, subject to a "need" assessment. Most imported foodstuffs are subject to sanitary regulations. Inspections are carried out by the local authorities.

Norwegian technical regulations, standards and testing procedures are generally based on internationally accepted norms and recommendations. However, because of the small size of the market, the level of import penetration tends to be low in cases where Norwegian requirements deviate from those applied in other countries.

Public procurement totalled around 13 billion Special Drawing Rights (SDR) in 1988, of which Central Government procurement amounted to 6 billion SDR. In 1987, the 19 entities covered by the GATT Code represented around 3 per cent of total public procurement in Norway. The share of direct imports in total public procurement has been estimated at around 24 per cent, rising to 35 per cent if imported inputs to domestic suppliers are included. Central Government procurement practices generally do not discriminate between foreign and domestic suppliers; however, exceptions may apply under specifically defined circumstances and in procurement to the State Power Board, which grants a 10 per cent preferential margin to Norwegian suppliers. There is evidence that virtually all local Government procurement contracts are awarded to domestic enterprises.

The Norwegian authorities consider countertrade to be contrary to the general principles of free trade, and do not, as a general rule, enter into or encourage such practices. The Ministry of Defence has concluded offset arrangements with foreign suppliers in connection with major defence procurement programmes.

Exports to South Africa and Iraq are currently prohibited. General export restrictions apply to objects of cultural heritage; hazardous waste; endangered species of animals and plants; animals and plants subject to disease controls; vessels above a certain size; strategic goods, services and technology; and potatoes. State monopolies control exports of beer and spirits and in principle also exports of pharmaceuticals, grains, milled products and concentrated feeds. Fish exports are licensed by the Ministry of Fisheries.

The Norwegian Trade Council is responsible for the promotion of Norwegian goods and services. Tourism to Norway is marketed by the Norwegian Tourist Board (NORTRA). The Norwegian Export Fund, which contributes to the financing of the Trade Council and specific export promotion programmes, receives income from a tax of 0.075 per cent charged on most exports of goods. Norwegian exports of capital goods are essentially financed by a private institution (A/S Eksportfinans). A State agency, the Guarantee Institute for Export Credits, provides export insurance and guarantees.

MORE

Subsidies are provided to exports of excess agricultural production to account for differences between world market prices and the administered domestic prices. Funding is provided through producer levies, government transfers through the Agricultural Agreement or withheld subsidies to farmers.

Temporary measures

Norway's anti-dumping regulations are based on GATT rules. Investigations and recommendations on action are made to the Ministry of Finance by an Anti-dumping Committee, established in 1957. If supported by the Ministry of Finance, a formal decision to impose duties must be made by the King in Council of State. A report must also be sent to the Parliament as soon as possible.

The procedures have not been used frequently. The 29 cases investigated between 1957 and 1985 resulted in the imposition of anti-dumping duties in three cases and countervailing duty on one occasion. The last anti-dumping duty in force, on cement from the German Democratic Republic, was lifted in December 1985.

Norway last implemented a safeguard action under GATT Article XIX in 1978. The measure affected imports of textiles and clothing from Hong Kong. Norway restricted imports for balance-of-payments reasons after the Second World War. The remaining controls under GATT Article XII were lifted in 1961.

New initiatives

In April 1989, Norway supported the commitment not to increase protection and transfers to agriculture. However, Norway has stressed that agricultural assistance should take account of non-economic factors such as food security, regional policy and environmental protection. In the Uruguay Round, Norway has offered tariffication (including variable levies and fixed elements with corrective factors) and subsequent reduction in place of most of the existing quantitative restrictions on agricultural imports. The Agricultural Agreement for 1991-92 signals a reduction in real terms in support to agriculture, particularly to grain production.

Agricultural policies are currently under review. A public committee established in 1987 presented its report in October 1990, recommending a reduction in milk and beef production, further geographical differentiation of support measures within Norway and lower use of fertilizers, pesticides and other inputs which raise production but have detrimental effects on the environment.

Norway maintains bilateral restraint agreements on clothing and textile items under the MFA. A reduction in the product coverage of textile restraints began in 1988. Since 1989, the number of restricted product categories has diminished from eight to four for most of the 19 countries with which Norway has concluded textile restraint agreements.

New export regulations for fish, effective 1 July 1991, are intended to deregulate and promote fish exports. A new Export Committee for Fish replaces eleven previously existing export committees. Exporter authorizations are no

longer dependent on membership in an exporters' association or restricted to specific fish product categories. However, the Government maintains the right to reserve certain foreign markets for certain exporters and to fix minimum export prices and other sales conditions.

Norway has recently implemented a number of reforms which, though not necessarily linked to trade, aim to improve the functioning of the economy. Foreign exchange transactions were almost completely deregulated on 1 July 1990. Remaining restrictions include a prohibition on residents contracting life insurance abroad, and controls on foreign currency loans incurred by the municipal sector. Monetary policy is aimed at maintaining a stable nominal exchange rate. Since autumn 1988, the Central Bank has allowed only minor deviations from the desired nominal value of the krone. Norway unilaterally linked its currency to the European Currency Unit (ECU) on 22 October 1990.

A new tax law was adopted in the spring of 1991, replacing a tax system based on an act of 1911. The reform lowers general tax rates while the tax base is broadened. The stated aim of the reform is to reduce distortions from taxation on savings, investment and production. A new Energy Act, deregulating the electricity market, entered into force on 1 January 1991. New measures are expected to reduce costs, increase production efficiency, promote more rational investment decisions and reduce differences in energy prices for end users.

Foreign investment in Norwegian offshore petroleum is governed by a discretionary licensing system under the Act Pertaining to Petroleum Activities, which grants the State full ownership of oil resources and limits foreign participation. Since 1973, State participation has normally been fixed at minimum 50 per cent. In 1989, the Parliament approved that State participation may be less than 50 per cent in certain blocks.

A restructuring of the domestic steel industry has led to a major divestment of State ownership in the industry. Further government support to the industry is not envisaged at this stage. The restructuring, including factory closures, has reduced the Norwegian production capacity of crude steel by 50 per cent.

The State-owned Norwegian Grain Corporation (Statkorn) was reorganized during 1990. The aim is to draw a clear distinction between the commercial activities and the administrative functions of the enterprise and to prepare the organization for future changes resulting from the Uruguay Round. The future of the pharmaceuticals monopoly (the Norwegian Medicinal Depot) and regulations limiting the approval of synonymous drugs on the Norwegian market have been on the agenda in the ongoing negotiations between EFTA and the EC concerning the establishment of a European Economic Area (EEA). A dismantling of the monopoly and the restrictions on drug approvals is likely to coincide with the entering into force of the EEA, tentatively from 1 January 1993.

Trade Policies and Foreign Trading Partners

The most imminent task confronting Norwegian trade negotiators is to conclude an agreement on the creation of the European Economic Area. The EEA

MORE

would expand the existing free trade agreement in industrial goods to include free movement of persons, services and capital and co-operation in areas which are not included in the single market concept. The free flow of goods is to be assured through harmonization of standards, elimination of technical barriers to trade, simplification of border formalities and rules of origin, wider access to government procurement and elimination of unfair trade practices and various types of State aid. The EEA does not include the agricultural sector as a whole, but the EC has presented a list of 72 products for which it wants improved access to EFTA markets. It is not clear whether such access would be extended to non-EC suppliers by Norway. One of the more controversial areas in the negotiations has been Norway's request for free trade in fish and fish products, which has been countered by EC demands for further access to Norwegian fish stocks.

A key objective in Norwegian trade policy is to accord full duty-free treatment for developing country imports similar to the coverage of free trade arrangements with EFTA partners and the EC. An interministerial committee, including representatives from the farmers' organizations, is currently reviewing the import régime on agricultural products. Measures improving access for developing country exporters could come into effect from 1 January 1992.

In January 1986, the Nordic countries signed a declaration on expanding economic and cultural links with the nine members of the Southern African Development Coordination Conference (SADCC). The aim is to foster short- and long-term development through trade and private and public investment.

The Norwegian Government does not, however, see the EEA negotiations as a substitute for the negotiations to improve the multilateral trading system in the GATT. EFTA Heads of Government have underlined that the efforts at increased European integration are a complement to the global liberalization process underway in the Uruguay Round. Norway has participated actively in the Uruguay Round together with the other Nordic countries. Norway has been particularly interested in reducing existing trade barriers and expanding the multilateral trade system into new areas such as services, counterfeit goods and TRIMs. Of particular interest to Norway is a comprehensive package in the rules area, particularly subsidies, anti-dumping and safeguards, which it is argued should not be applied selectively. On textiles, the Norwegian position includes the gradual elimination of the MFA. Bearing in mind its own objectives, Norway would like to maintain a high level of protection for agriculture, but within a context of a strengthened and more disciplined multilateral trading system.

TRADE POLICY REVIEW

NORWAY

Report by Norway - Summary Extracts

INTRODUCTION

This report on Norwegian trade policies and practices has been prepared pursuant to the CONTRACTING PARTIES' Decision of 12 April 1989 (L/6490, Part I, para. B(i)) and follows in a general way the Outline Format decided on by the Council 19 July 1989 (L/6552).

The report provides information on Norwegian trade policies and practices covered by existing GATT obligations, and attempts to explain their historical, economic and political context. The report should therefore be seen as a complement to the detailed and very extensive Secretariat report. While this report is less exhaustive in detailed descriptions, the two reports together should give a comprehensive picture of Norwegian trade policies and practices. It should be noted, however, that this report has been written before the ongoing negotiations between the EFTA countries and the EC on the establishment of a European Economic Area (EEA) have been completed. Prospective changes in policies or practices which may emerge as a consequence of the EEA are not dealt with.

Given the parameters in the Outline format adopted by the Council, certain aspects of Norwegian trade policy and some sectors are not dealt with in detail in this report. For example, the services sector, which accounts for 30 per cent of both Norwegian exports and imports, is only touched upon in a cursory manner. Norwegian investment policies and competition policies which are interlinked with trade policies and practices, are examples of aspects which are not dealt with.

Norway is in area the fifth largest country in Europe, with an extensive coastline. With a population of only 4 million, however, the population density is less than 14 per square kilometre. The population is widely scattered across the country, with nearly 30 per cent living in sparsely populated areas.¹

Norway is richly endowed with natural resources (hydropower, fish, forests, minerals and petroleum) and its productive structure remains highly influenced by this. The greater portion of these natural resources are located in the rural regions of Norway, where consequently many industrial enterprises have been established.

¹Sparsely populated areas are defined as areas with less than 200 inhabitants, and where the distance between the houses as a rule exceeds 50 metres.

The current account of balance of payments gives an indication of the structure of Norwegian exports and imports. Traditional goods (excluding ships, oil rigs and crude oil and natural gas) in 1990 account for nearly 40 per cent of all exports while services and crude oil and natural gas each account for approximately 30 per cent. In terms of imports services account for 30 per cent, while traditional goods account for approximately 60 per cent.

Table 1
Current account of the balance of payments
(NOK Billion)

	1970	1980	1985	1987	1990
Exports:	33.4	134.8	235.6	200.2	291.4
Goods	17.7	92.9	173.3	145.2	214.3
Of which crude oil and natural gas	-	41.4	85.4	53.6	88.5
Second hand ships	1.4	2.4	10.0	8.7	6.8
Traditional goods	15.5	47.2	76.1	81.2	115.2
Services	15.7	41.9	62.3	55.0	77.1
Imports:	34.4	117.4	194.6	211.4	243.4
Goods	26.6	84.5	133.9	151.0	171.2
Ships	3.0	1.4	3.8	4.3	13.6
Traditional goods	23.5	82.3	127.5	143.7	152.4
Services	7.8	32.8	60.7	60.4	72.2
Export surplus	-1.0	17.4	41.0	-11.2	48.0
Surplus on the interest and unilateral transfers account	-0.7	-12.0	-14.3	-16.1	-25.4
Surplus on current account	-1.7	5.4	26.7	-27.3	22.6

Source: Central Bureau of Statistics, Revised National Budget 1991.

Up until the mid-1950s Norway was almost exclusively an exporter of raw materials and semi-processed goods. Despite the intensive technological and industrial development that has taken place since then, Norway is still basically an exporter of raw materials and semi-processed goods. The cyclical developments in supply and demand for such materials in export markets therefore have a significant impact on the Norwegian economy. This high dependence on raw material exports is to a large extent a reflection of the importance of oil and gas exports, but raw materials also account for some 40 per cent of exports of traditional goods (excluding oil, gas, ships and oil rigs).

Table 2
Developments in the composition of Norwegian exports of traditional goods²
(Main export sectors in per cent of total exports of traditional goods. Value.)

	1970	1980	1985	1990
Food ³	17.4	14.5	14.7	14.1
Raw Materials ⁴	51.7	45.0	44.0	40.0
Fuels ⁵	2.0	7.1	9.1	10.5
Manufactured goods	28.9	33.4	32.1	35.4
Traditional goods in % of all exports	46.2	35.0	32.3	39.5

Source: The Norwegian Ministry of Finance.

There has, however, been a shift in the composition of Norway's exports of goods. While fish, forestry and mining traditionally accounted for the largest share of Norwegian exports of traditional goods, the export of manufactured goods has steadily increased. Crude oil and natural gas today is the single largest export sector, accounting for 42 per cent of Norwegian exports of goods in 1990 with metals accounting for the second largest share.

In light of the fact that the majority of the raw materials are traded in dollars, fluctuations in the exchange rate between the dollar and the Norwegian krone (NOK) can have significant effects on the Norwegian economy.

The Norwegian shipping industry accounts for 60 per cent of Norwegian services exports. Norway has for many decades ranked among the major shipping nations in the world, currently number four, and the fleet under Norwegian flag makes up approximately 6 per cent of the world fleet. Gross earnings from the Norwegian international shipping activities was NOK 46 billion in 1990. Expenses incurred abroad amounted to NOK 28 billion, which left a net income of NOK 18 billion in 1990.

²Excluding ships, oil rigs and crude oil and natural gas.

³The major portion of food exports are fish and fish products as can be seen from the external trade statistics provided in the appendix. In 1990, exports of fish and fish products accounted for 11 per cent of traditional Norwegian exports.

⁴Raw materials include chemical raw materials, metals and forestry products.

⁵Fuels include electricity, gasoline and heating oil.

The basic composition of Norway's imports has changed little since the 1950s. Manufactured goods still account for the major share of traditional imports, nearly 80 per cent today.

A notable characteristic of the Norwegian industry structure is the abundance of very small- and medium-sized enterprises and the regional dispersion of these. The following salient figures give an indication of the make-up of Norwegian industry⁶:

- 90 per cent of industry employees are in production exclusively for the domestic market
- 65 per cent of industry employees are in enterprises with less than 200 employees
- less than ten percent of the industry enterprises are engaged in export competing manufacturing
- the ten largest industrial corporations account for 40 per cent of Norwegian exports of traditional goods

Both Norway's resource base and industrial structure have affected the direction and contents of Norwegian trade policy objectives.

OBJECTIVES OF TRADE POLICIES

Norway is highly dependent on international trade, which amounts to nearly half of Norway's GDP. (Exports amounted to 44 per cent of GDP and imports to 37 per cent in 1990.) The overriding objective of Norwegian trade policy is thus to provide for an open, liberal and predictable trading environment. The high standard of living experienced today has been and is dependent on market access for Norwegian exports. A liberal Norwegian trade régime has also consistently been perceived as an important means of promoting growth and structural adjustment domestically. Support for an open multilateral trading system has therefore not only been a fundamental trade policy objective in itself since the Second World War, but has also been an integral part of Norwegian economic policy.

Given the productive structure and export orientation of the Norwegian economy the emphasis on liberalizing trade has only been logical. In a White Paper (Stortingsmelding) presented to Parliament in 1951 the general motivation for trade liberalization was expressed:

"The arguments for liberalization of international trade are in general that production, and thereby international trade, will increase; at the same time an improved division of labour can be achieved among countries with increased specialization. Increased specialization promotes efficient industry, increases competition and

⁶Excluding the oil sector.

enables one to draw greater benefits from economies of scale." (St. meld. nr. 59, 1951).

The importance of the shipping industry for the Norwegian economy has also contributed to support for a liberal trade régime. As 90 per cent of the Norwegian fleet is engaged in cross trades, the Norwegian shipping industry depends on open market solutions and a well functioning multilateral trading system.

Norway's early accession to the GATT, and membership in the OEEC (later OECD), and subsequently in the European Free Trade Association (EFTA), reflect the acceptance of these fundamental objectives. Norway has remained one of the staunchest supporters of free trade through its broad participation in these fora. Norway's participation in the efforts to establish a European free trade area, first among the EFTA countries and later with the European Communities also reflect Norwegian willingness to base its trade relations on the principles of free trade.

The Government reiterated the importance of international trade for the functioning of the Norwegian economy in its Long Term Program (1990-93):

"Extensive international trade is of vital importance for the national welfare in a small economy like Norway. The selection of goods will be greater, and the advantages of economies of scale and specialization may be utilized. Transfer of know-how and technology are other beneficial spin-offs from trade and internationalization. International competition also intensifies the demand for increased efficiency in production.

Continued reduction of barriers to trade is important to increase welfare in Norway. Even though other countries may introduce import restrictions, we will benefit from free imports of goods which are produced cheaper in other countries. Restrictions on imports to protect producers in certain sectors are often very costly compared to the effects they are meant to achieve." (St. meld. nr. 4 (1988-89))

The main characteristics of the Norwegian import régime today reflect the results of Norway's support for a liberal trade régime.

- The Norwegian m.f.n. tariff protection level for industrial goods is 3.3 per cent
- Almost 90 per cent of all imports enter duty-free as a result of GSP and Norway's free trade agreements with the EFTA countries and the EC.
- Tariff rates are bound for 99 per cent of all m.f.n. imports.
- Imports account for nearly 48 per cent of the Norwegian market for traditional goods.

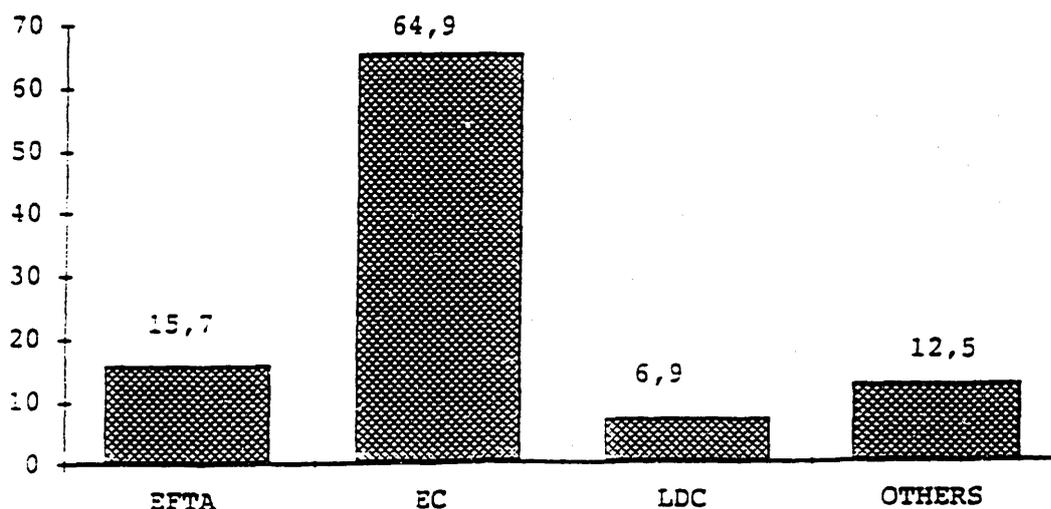
The multilateral rules, rights and obligations established in the General Agreement are seen as vital to the maintenance of an open multilateral trading system. Norway has participated in all previous negotiating rounds in the GATT and signed all codes adopted in the Tokyo Round.

In a Parliamentary Recommendation the importance of continued support for the open multilateral trading system and the important contribution a successful conclusion of the Uruguay Round could make in this regard was underlined:

"The Committee is convinced that for Norway, which is a small nation in international trade, with a large dependence on foreign trade, it is clearly in our interest to strengthen the multilateral aspects of the international trading system." (Innst. S. nr. 253 (1987-88))

A timely successful conclusion of the Uruguay Round is currently a priority trade objective. The lack of agreement on a comprehensive package of results at the Ministerial meeting in Brussels in December 1990, caused grave concern in both private industry and political circles. Strengthening and expanding the open multilateral trading system is widely perceived as essential for continued world economic growth and development. The improvement of GATT-rules and disciplines, and dispute settlement procedures is stressed as a primary objective in the context of the Round. Such improvements are necessary to maintain a predictable trading environment and to ensure that all countries have the same rights and obligations in international trade.

NORWEGIAN EXPORTS BY MAIN REGIONS. 1990. Z

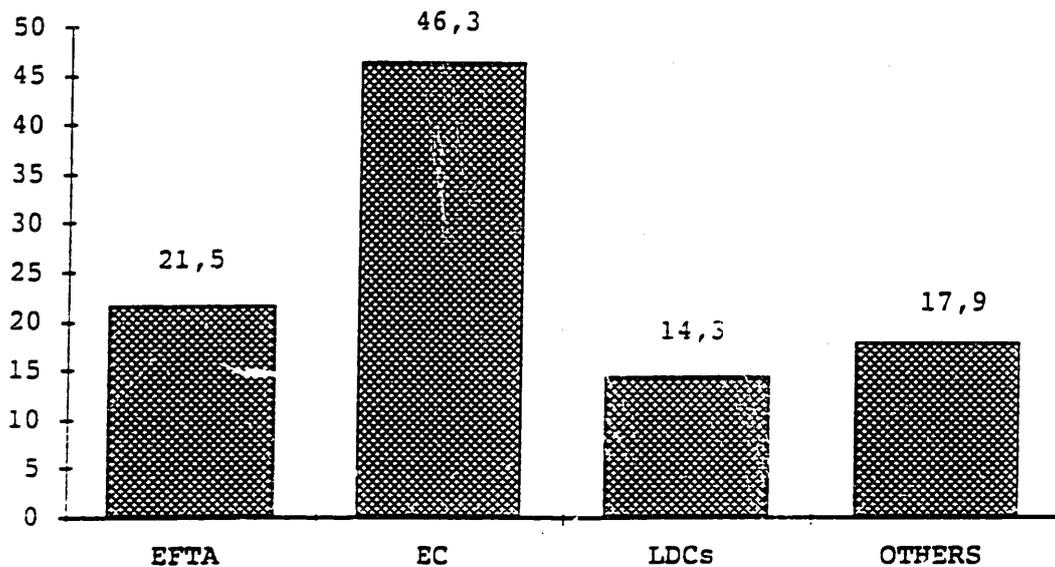


Given that the greater part of Norwegian trade is with the EFTA countries and the EC, a continuing trade policy objective has been to improve trade relations with these countries. Currently, conclusion of the

MORE

negotiations on the establishment of a European Economic Area (EEA) comprising the EFTA countries and the EC is a major trade policy objective. These negotiations were launched to ensure that the EFTA countries would participate actively in the European integration process and benefit directly from the completion of the EC Internal Market.

NORWEGIAN IMPORTS BY MAIN REGIONS. 1990. Z



The EEA negotiations are, however, not a substitute for negotiations to improve the multilateral trading system in the GATT. At the EFTA meeting in Oslo 14-15 March 1989 when EFTA Heads of Government declared their intent to enter into negotiations with the EC, this point was stressed:

"We underline our commitment to strengthening and improving the multilateral trading system and to combat all forms of protectionism. We therefore commit ourselves to actively participate and constructively support the efforts being made in the GATT and underline that the efforts at increased European integration are a complement to the global liberalization process underway in the Uruguay Round."

Another central objective in Norwegian trade policy has been to promote the developing countries' trade possibilities in order to contribute to their development. In line with the focus of Norwegian development policy, particular emphasis has been on promoting trade with the least-developed countries. This is reflected in the special and

differential treatment accorded these countries in the Norwegian Generalized System of Preferences.

In the Norwegian Parliament's discussion of selected trade policy issues in 1988, Parliament declared that a central objective for Norwegian trade policy should be to work towards full duty-free treatment for developing country imports in light of the duty-free treatment accorded such goods in the context of the EFTA and EC free-trade agreements.

A fairly new trade policy objective for Norway which is expected to receive increased emphasis, is to work for multilateral rules that can ensure that trade policies and environmental policies are mutually supportive. This is viewed as important given the increasing emphasis on environmental policies in all countries. Establishing a set of multilateral rules and disciplines is perceived as the best way to ensure that measures taken to preserve or improve the environment are taken in a manner which supports the objectives of the multilateral trading system, and vice versa.

As indicated at the outset of this report, the structure of the Norwegian resource base and industry has had implications for the development of Norwegian trade policy objectives. While the promotion of a liberal trading system has been and remains a general goal, other national objectives are also to be pursued and safeguarded within such a system. Specifically, given the wide geographical dispersion of industry and existing population patterns, safeguarding regional concerns is fundamental.

Norway has no sector specific trade policy objectives. Trade regulations in individual sectors have, however, emerged as a consequence of specific national goals, for example in terms of regional development, employment or resource conservation. While applying to all sectors such objectives have particularly affected trade practices in some sectors.

A case in point is the agricultural sector. Inherent in Norwegian agricultural policies are a set of non-economic goals which relate to regional development, environmental protection and conservation, social concerns and food-security. Specific trade policy practices for agricultural trade have evolved as a consequence of these policies.

Norwegian Agricultural Policy including the import régime for agricultural products is, however, currently under review. A Government appointed committee, with broad representation, presented its recommendations in December 1990 (Alstadheim Utvalgets innstilling), and a Parliamentary debate on existing and future objectives and policies is planned for the spring of 1992 following a Government White Paper in the autumn of 1991. Although this review and debate will focus on domestic priorities for agricultural policies in the future, it will also take into account developments in international discussions on agricultural policies. The reform program for agriculture adopted by the OECD Ministers in 1987 and the goals of the Uruguay Round will thus also be points of departure for the debate.

MORE

Furthermore, a separate committee has been established by the Ministry of Agriculture with representatives from other ministries and the agricultural organizations to review the import régime for all agricultural products, inter alia, in light of the ongoing Uruguay Round, and with a view to finding means of providing especially the developing countries with possibilities for greater access to the Norwegian market.

In the textiles sector, which has traditionally been protected in Norway as in many other industrial countries, trade practices have also been influenced primarily by regional concerns. Trade practices in the sector are, however, in the process of being adjusted in order to bring them into conformity with Norway's general trade policy objectives. In connection with a parliamentary debate in 1987 on Norwegian goals in the Uruguay Round, Parliament indicated that Norway should not support an extension of MFA after its expiry.

"Any need of protection against low priced imports of textiles should thereafter be based on the general rules of the GATT and the multilateral discipline which emerges from the Uruguay Round concerning protection." (Innst. S. nr. 253 (1987-88))

The Parliamentary Standing Committee argued for this approach both on the basis of Norwegian consumer interest and general economic considerations, and emphasizing the importance of liberalization in the sector for the developing countries. Currently the basic objective is therefore to bring trade in textiles and clothing under the general rules of the GATT.

Subsequently the Government, in early 1989, indicated (in its Long Term Program) that it intended to dismantle the existing import regulations for textiles when the existing bilateral restraint agreements expire in 1991. Import policies for the sector are currently under review; no decision has been taken on whether or not to make full use of the transitional arrangements or periods that may result from a conclusion of the Uruguay Round.

Given the importance of fish exports particularly for Northern Norway and the West Coast, liberalization in this sector has also been an important objective. The objective has been met for trade with the other EFTA countries and is currently being pursued both in the Uruguay Round, through support for the Zero-Zero option proposed by the United States and Canada, and in the EEA negotiations where the EFTA countries are requesting that free trade in fish and fish products be established for the whole European Economic Area.

WIDER ECONOMIC AND DEVELOPMENTAL NEEDS, POLICIES AND OBJECTIVES

The main aim of Norwegian economic policy is to lay the foundations for increased employment, and to strengthen economic growth in the

MORE

Mainland⁷ economy. An important measure proposed by the Government in the Revised National Budget 1991, is a critical review of transfer schemes, with a view to financing infrastructural development and other activities which will create jobs.

An important objective is to improve industry's cost competitiveness. The wage level in Norway is currently 25 per cent higher than in our major trading partners. This is hampering the establishment of new enterprises in sectors of the economy without special competitive advantages.

Norway experienced very strong growth in the period 1983 to 1986. The expansion was initiated by renewed growth in the exports of traditional goods from late 1982 and increased investments in the oil sector and export oriented manufacturing. The principle factor was, however, the extraordinarily strong growth in demand from the Mainland economy, supplemented by the deregulation of credit markets. Private consumption increased by on average 6 per cent a year, and fixed investments in Mainland enterprises by 14.5 per cent a year.

The merchandise trade balance (excluding oil, ships and oil rigs) deteriorated sharply in the period, and imports of traditional goods increased by on average 13.5 per cent a year in volume terms compared to an export growth of 2.4 per cent.

The expansion in domestic demand in the mid-1980s together with the drop in oil prices during the winter of 1985-86 resulted in a difficult economic situation. A tightening of economic policy was called for, which together with self-regulating mechanisms in the economy resulted in a marked decrease in domestic demand. Production in the Mainland economy subsequently fell both in 1988 and 1989, and the level of unemployment increased.

Preventing the Norwegian foreign balance from significantly increasing its dependence on petroleum revenues is important to securing permanent employment. Exports of oil and gas in 1990 amounted to NOK 88 billion, some 30 per cent of total exports. The heavy dependence on petroleum revenues has also been aggravated by the long period of stagnation and loss of market shares undergone by Norwegian industry. It will therefore be a main task to strengthen the exposed sectors of the Norwegian economy.

Since mid-1990, private consumption has again increased moderately. Together with a strong growth in exports this has led to an increase of 0.7 per cent in the GDP for the Mainland economy from 1989 to 1990. The most important factors contributing to this growth in domestic demand was the increase in both public and private consumption. Simultaneously the decline in net investments in the Mainland economy was slowed down.

⁷Excluding shipping, oil drilling, oil production and pipeline transport.

The upturn in the Norwegian economy has, however, been weak and has not been conducive to a reduction of unemployment. The continued lower growth internationally from mid-1990 has also contributed to reduced growth in Norwegian traditional exports. Increased uncertainty concerning developments in international markets has also contributed to reduced investments in industry.

The rate of price inflation since March 1989 has been lower than the average among our trading partners. From 1989 to 1990 consumer price inflation was 4.1 per cent. In April 1991 the price inflation was 3.8 per cent. After the suspension of government involvement in wage formation, wage levels have increased somewhat, from 1989 to 1990 hourly wages rose by approximately 5 per cent.

The Government has proposed a major tax reform which will constitute an important element in general structural reform policy. The Norwegian system of income taxation of business, capital and individuals will be transformed in line with the international trend in tax reforms: A broadening of the tax base combined with considerable cuts in marginal tax rates, in order to create a tax system that is more geared towards efficiency, horizontal equity, and simplicity than the present system. Thus, the economic distortions of taxation will be substantially reduced by a closer connection between rates of return before tax and rates of return to the investor after tax.

THE EXTERNAL ECONOMIC ENVIRONMENT

Major trends in imports and exports⁸

Norway's overall trade pattern has been relatively stable over the past twenty years both in terms of commodity composition and major trading partners. Norway's most important trading partners have been and remain the EC and EFTA countries, accounting for nearly 75 per cent of Norway's foreign commodity trade in 1990. Trade with the OECD countries as a group accounts for nearly 90 per cent, while trade with the developing countries and trade with Eastern Europe and the Soviet Union amounts to approximately 10 per cent and 2 per cent respectively of Norway's commodity trade.

⁸The tables in this section are based on trade figures according to customs declarations. These figures are not wholly comparable with the National Accounts figures for trade in traditional goods, as they do not include exports which are not registered at the customs offices, e.g. exports of fuel and spare parts for foreign aircraft. Moreover, reporting routines were changed 1 January 1988, resulting in trade figures according to customs based figures for December 1987 being NOK 2 - 2.5 billion higher than normal, and figures for January 1988 accordingly lower. The National Accounts figures are adjusted for this change in reporting routines, while figures referred to in this section are not.

Table 9
Norwegian exports by main regions
 (Per cent of commodity exports, value)

	1970	1980	1985	1989	1990
Nordic Countries	26.2	15.5	14.6	19.7	19.5
EFTA	46.5	12.7	12.4	16.2	15.7
EC	29.7	71.1	68.8	65.2	64.9
OECD Countries	87.2	89.5	89.3	93.2	92.1
Eastern Europe/USSR	2.5	1.4	0.9	1.2	1.2
Developing Countries	8.5	9.6	9.5	5.7	6.9

Source: NOS External Trade.

Table 10
Norwegian imports by main region
 (Per cent of all commodity imports, value)

	1970	1980	1985	1989	1990
Nordic Countries	28.8	26.8	28.8	25.1	25.7
EFTA	44.5	24.1	25.4	20.7	21.5
EC	24.9	47.8	47.3	43.0	46.3
OECD Countries	87.0	87.5	89.7	77.7	83.1
Eastern Europe/USSR	2.2	2.2	2.8	2.5	2.5
Developing Countries	9.7	7.7	7.4	19.6	14.3

Source: NOS External Trade

The most striking factor in Norwegian trade statistics is the stability in the individual regions' relative share of exports and imports. There was, however, a fairly dramatic increase in Norwegian imports from the developing countries in 1989 and 1990. This increase is to a large extent a reflection of the return of a large number of Norwegian ships to the Norwegian flag after the establishment of the Norwegian International Ship-register in 1987. Imports of ships from the developing countries in 1989 accounted for approximately 64 per cent of all imports from these countries.

Sweden and Germany account for the largest individual import shares with 15.8 per cent and 14.0 per cent respectively in 1990. Norway's most important export market has traditionally been and remains the United Kingdom which received 26.0 per cent of all Norwegian exports in 1990.

Crude oil and natural gas constitute Norway's most important export products and accounted for 42 per cent (in value terms) of Norwegian commodity exports in 1990. The corresponding figures for 1985 and 1988 were 50.0 per cent and 33.2 per cent respectively. This variation is not a reflection of changes in export volumes but reflect the fluctuations in oil prices.

MORE

Apart from petroleum products, exports of manufactures as well as of machinery and transport equipment are important. Their respective export shares were 17.9 per cent and 13.9 per cent in 1990.

Table 11
Norwegian exports by main commodities (SITC)
(Per cent of total value)

	1970	1980	1985	1989	1990
0 Food	11.5	5.9	5.2	6.5	6.7
1 Beverages and tobacco	0.2	0.9	0.1	0.1	0.1
2 Raw materials	10.0	4.4	3.1	4.2	3.5
3 Mineral fuels	2.2	48.6	53.8	42.7	47.8
4 Oils and fats	1.8	0.6	0.4	0.2	0.2
5 Chemicals	7.6	6.3	5.9	7.1	6.6
6 Manufactured goods	39.5	19.1	15.5	22.6	17.9
7 Machinery/transport equipment	23.2	12.1	13.6	13.4	13.9
8 Finished goods	3.7	2.6	2.1	3.2	3.2
9 Miscellaneous	0.3	0.3	0.3	0.0	0.0

Source: NOS External Trade.

Norway imports a wide range of products, the most important ones being machinery, manufactures and finished goods. The large increase in imports of transport equipment in 1989 and 1990 in Table 12 can be attributed to the return of Norwegian ships to the Norwegian flag.

Table 12
Norwegian imports by main commodities (SITC)
(Per cent of total value)

	1970	1980	1985	1989	1990
0 Food	6.6	6.0	4.7	5.0	4.8
1 Beverages and tobacco	0.8	0.6	0.6	0.6	0.6
2 Raw materials	10.9	8.7	7.1	7.9	8.1
3 Mineral fuels	7.7	17.2	8.8	3.9	4.4
4 Oils and fats	0.4	0.2	0.2	0.2	0.2
5 Chemicals	8.3	6.8	6.9	8.1	8.3
6 Manufactured goods	20.1	18.5	17.8	16.4	16.8
7 Machinery/transport equipment	35.5	28.7	38.1	42.7	41.0
8 Finished goods	9.4	12.9	15.4	15.0	15.8
9 Miscellaneous	0.4	0.4	0.4	0.1	0.1

Source: NOS External Trade.

When excluding ships, oil platforms and exports of crude oil and natural gas, Norway has had an export deficit during the whole period from 1985. This adjusted deficit was as large as NOK 76.6 billion in 1986, but was reduced to NOK 40.1 billion in 1990, mainly as a result of higher exports to the EC and the EFTA countries.